

## PRESS RELEASE

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#### **Changes to international lease accounting standards may impact the cost and availability of finance for Europe's small businesses**

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**Brussels, 5 February 2010** - Leaseurope, the European leasing industry's representative body, has today called for businesses and policy makers across Europe to review the latest plans of the International Accounting Standards Board (IASB) that will lead to a drastic change in existing lease accounting requirements.

Standard setters' work on lease accounting has so far been focused on developing new requirements for lessees. These are extremely complex and will affect almost all European businesses given that there are very few firms in Europe who do not lease or rent equipment or property at some point in time.

Recently, the IASB has announced that they will also consider accounting from the perspective of lessors, the companies who provide leasing and rental products to businesses. Although Leaseurope agrees that lessee and lessor accounting should be dealt with together, there is growing concern with the direction the proposals for lessor accounting are taking. If they go ahead in their current form, many businesses may see their overall cost of borrowing rise. Leaseurope has made its concerns known to the IASB in a recent letter, available on the IASB website.

Mark Venus (BNP Paribas), Chairman of Leaseurope's Accounting Committee explains that "European businesses will have to cope with what is turning out to be an extremely complicated approach to lease accounting. Leaseurope, as well as other stakeholders, have repeatedly raised this issue with the IASB yet there is still no visible sign of improvement. In addition to this, if the lessor accounting proposals have the effect of limiting the availability of leasing as Leaseurope expects they may, smaller firms in particular could have a much harder time financing their investments. These are firms with limited sources of external funding to begin with and, without the benefit of the collateral that leasing naturally incorporates, their borrowing may become more costly and difficult to obtain."

Tanguy van de Werve, Leaseurope Director General, adds that "lease accounting is often seen as a technical issue and consequently has not been high on the agenda of many. Business representatives and policy makers should ensure that they are fully aware of the implications of the proposals and must make their views heard. The European business community is still struggling with a difficult economic environment and limited availability of funds. It cannot afford to miss out on a chance to shape these proposals before they are integrated into a standard."

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## **Note to the editors**

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) are currently in the process of developing a new standard for lease accounting. The Boards are expected to release an Exposure Draft standard in the second quarter of 2010 which will provide businesses with the opportunity to comment on the proposals before a final standard is issued.

The Boards have received 300 comment letters to a Discussion Paper on lease accounting issued in March 2009, which focuses almost exclusively on accounting from the perspective of lessees. The majority of respondents stress the unnecessary level of complexity of the proposals and express concerns regarding the burden they may create for the preparers of accounts. The Discussion Paper, as well as the comment letters, can be consulted on the [IASB's website](#).

Leaseurope has issued a comment letter specifically addressing the IASB and FASB's more recent lessor accounting proposals. This letter highlights the implications that these will have on lessors as well as the wider European business community. The letter can be viewed on the [IASB's website](#).

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## **About Leaseurope**

As a Federation, Leaseurope brings together 46 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 96% of the European leasing market in 2008.

In 2008, new leasing volumes worth in excess of €330 billion were granted by the firms represented through Leaseurope's members. Together, these firms financed on average around 24% of all European investment (excluding investment in property). Moreover, they are responsible for the leasing and rental of some 17 million vehicles throughout Europe.